

**WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2007**

**OFFICIAL ISSUING REPORT
DAVID A. WEGMANN, BUSINESS MANAGER
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2007

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2007

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OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education (Before September 2006 Election)		
Bob McCabe	President	2006
Alan Manternach	Vice President	2006
June Brandenburg	Board Member	2008
Barb Weber	Board Member	2008
Dean Knepper	Board Member	2007
Board of Education (After September 2006 Election)		
Bob McCabe	President	2009
Barb Weber	Vice President	2008
June Brandenburg	Board Member	2008
Mark Knuth	Board Member	2009
Dean Knepper	Board Member	2007
School Officials		
Jeff Corkery	Superintendent	2007
David Wegmann	Board Secretary/ Business Manager/ District Treasurer	2007

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the Western Dubuque County Community School District, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the District's legal entity. The financial statements do not include financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Western Dubuque County Community School District, as of June 30, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the respective financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of Western Dubuque County Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

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In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements with the exception of the years ended June 30, 2006, 2005 and 2004. For the years ended June 30, 2006, 2005 and 2004, we expressed an unqualified opinion on the financial statements of the primary government. However, we expressed an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 8, 2008

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

MANAGEMENT DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	5
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Financial Notes

- The 2006-07 fiscal year was the final year of the District's five-year Instructional Support Program (ISP).

Receipts:

Property Tax	\$ 402,284
Income Surtax	586,200
State Aid	57,761
	<u>\$ 1,046,245</u>

Expenses:

Teacher Wages/Benefits	\$ 474,441
Textbooks-Private Schools	113,717
School Buses	381,393
Computer Services	97,345
Athletic Trainer	35,553
	<u>\$ 1,102,449</u>

This Instructional Support Program was approved by voters on March 12, 2002 and ended on June 30, 2007.

A new five-year program commencing July 1, 2007 was authorized and approved by the School Board on December 11, 2006. Following is a comparison of the two programs.

	<u>Existing</u>	<u>New</u>
Term	5 years	5 years
Percentage of Regular Program	8%	10%
Income Surtax	4%	6%
Annual Revenue	\$993,467 (A&L)	\$1,272,314 (A & L)

- The General Fund June 30, 2007 fund balance improved slightly from \$384,152 to \$563,080 resulting in an improved Financial Solvency Ratio. Targeted ratio is 5%.

2002-2003	3.50 %
2003-2004	0.40 %
2004-2005	0.10 %
2005-2006	1.60 %
2006-2007	2.20%

Overview of the Financial Statements

This annual audit report is organized into three major parts that are necessary to meet state and federal audit requirements along with the Governmental Accounting Standards Board Statement No. 34 (GASB34).

1. Management Discussion & Analysis (MD&A) [This part]
2. Basic Financial Statements
3. Required Supplementary Information

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p align="center">Figure A-1 Major Features of the Government-Wide and Fund Financial Statements</p>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Activity Fund, Management Fund, Physical Plant and Equipment Levy Fund, Debt Service Fund, Construction Fund, and Local Option Sales Tax Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's Enterprise Funds, one type of Proprietary Fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Regular Education Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. **Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net assets for the year ended June 30, 2007 compared to 2006 for the governmental and business-type activities.

Figure A-2
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	22,641,923	24,835,843	374,517	426,688	23,016,440	25,262,531	9.76%
Capital assets	27,090,293	27,398,335	99,603	130,453	27,189,896	27,528,788	1.25%
Total assets	49,732,216	52,234,178	474,120	557,141	50,206,336	52,791,319	5.15%
Long-term obligations	16,938,343	14,306,536	-	-	16,938,343	14,306,536	-15.54%
Other liabilities	17,467,235	18,541,944	4,687	13,929	17,471,922	18,555,873	6.20%
Total liabilities	34,405,578	32,848,480	4,687	13,929	34,410,265	32,862,409	-4.50%
Net assets:							
Invested in capital assets							
net of related debt	13,465,293	15,613,335	99,603	130,453	13,564,896	15,743,788	16.06%
Restricted	4,251,866	5,255,002	-	-	4,251,866	5,255,002	23.59%
Unrestricted	(2,390,521)	(1,482,639)	369,830	412,759	(2,020,691)	(1,069,880)	-47.05%
Total net assets	15,326,638	19,385,698	469,433	543,212	15,796,071	19,928,910	26.16%

Net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.) Consequently, *unrestricted* net assets of the District's governmental activities showed a \$1,482,639 deficit at the end of this year. This deficit does not mean that Western Dubuque Schools does not have resources available to pay its bills next year. Rather, it is the result of having *long-term* commitments that are greater than currently available resources.

The District's total assets increased slightly in the governmental funds group from June 30, 2006 to June 30, 2007 (from \$49,732,216 to \$52,234,178).

Figure A-3
Changes in Net Assets from Operating Results

	Governmental Activities			Business Type Activities			Total School District		
	2005-06	2006-07	Change	2005-06	2006-07	Change	2005-06	2006-07	Change
Revenues:									
Program Revenues:									
Charges for service and sales	1,778,313	2,046,420	268,107	968,939	879,802	(89,137)	2,747,252	2,926,222	178,970
Operating grants and contributions	3,393,299	3,732,305	339,006	433,103	448,851	15,748	3,826,402	4,181,156	354,754
Capital grants and contributions	584,443	6,011	(578,432)	-	-	-	584,443	6,011	(578,432)
General Revenues:									
Property tax	10,158,322	10,755,088	596,766	-	-	-	10,158,322	10,755,088	596,766
Instructional support surtax	599,881	611,143	11,262	-	-	-	599,881	611,143	11,262
Local option sales and services tax	2,451,461	2,539,245	87,784	-	-	-	2,451,461	2,539,245	87,784
Unrestricted state grants	8,929,347	9,143,503	214,156	-	-	-	8,929,347	9,143,503	214,156
Unrestricted investment earnings	382,320	560,545	178,225	11,966	16,209	4,243	394,286	576,754	182,468
Other	121,924	71,664	(50,260)	-	-	-	121,924	71,664	(50,260)
Transfers	-	3,428	3,428	-	(3,428)	(3,428)	-	-	-
Total Revenues	28,399,310	29,469,352	1,070,042	1,414,008	1,341,434	(72,574)	29,813,318	30,810,786	997,468
Expenditures:									
Instruction	14,902,608	15,368,124	465,516	100,775	-	(100,775)	15,003,383	15,368,124	364,741
Support services	7,731,228	7,427,985	(303,243)	-	-	-	7,731,228	7,427,985	(303,243)
Non-instructional programs	66,767	3,585	(63,182)	1,240,317	1,267,655	27,338	1,307,084	1,271,240	(35,844)
Other expenses	2,521,392	2,610,598	89,206	-	-	-	2,521,392	2,610,598	89,206
Total Expenses	25,221,995	25,410,292	188,297	1,341,092	1,267,655	(73,437)	26,563,087	26,677,947	114,860
Change in Net Assets	3,177,315	4,059,060	881,745	72,916	73,779	863	3,250,231	4,132,839	882,608

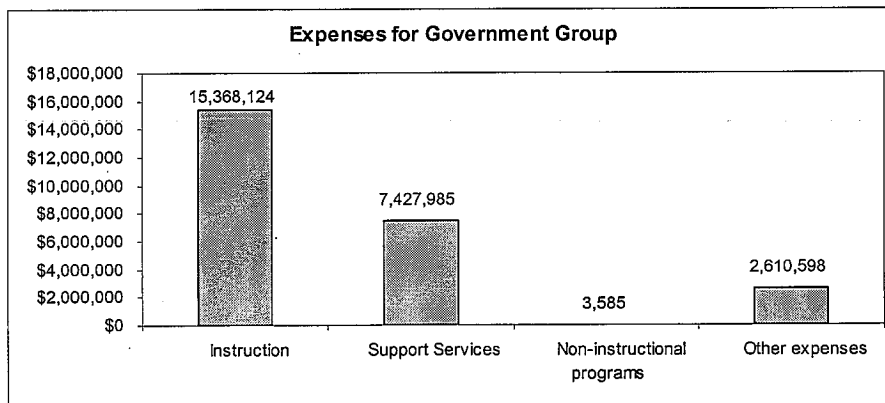
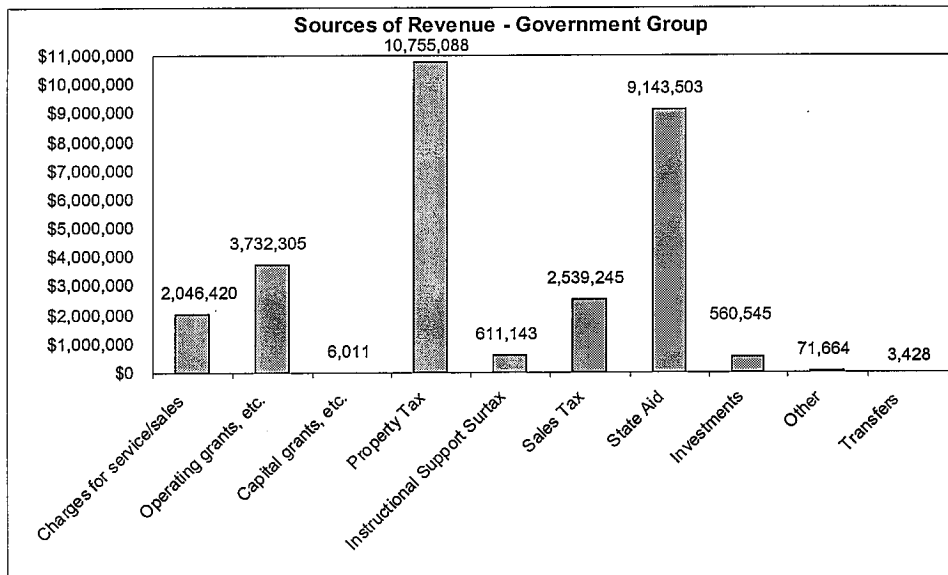
(COMMENTS ON NEXT PAGE)

Governmental Activities

Revenues for governmental activities were \$29,469,352 while total expenses amounted to \$25,410,292.

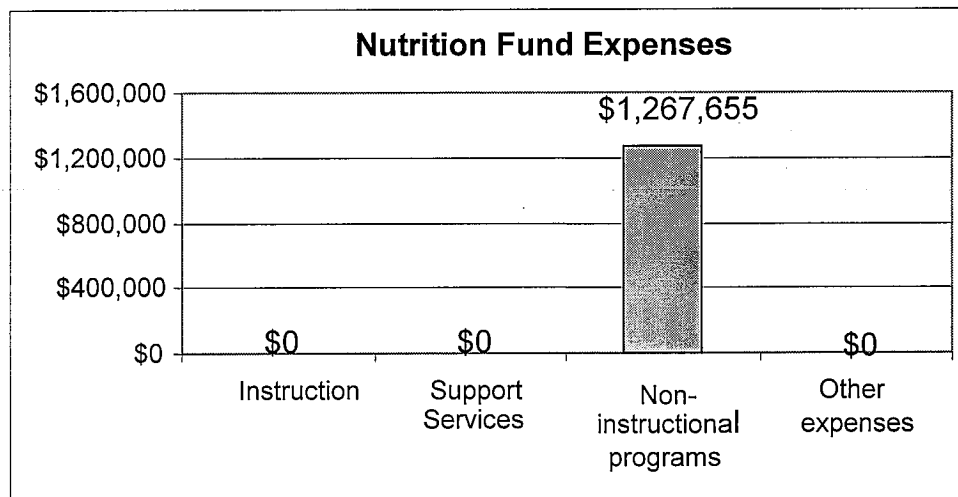
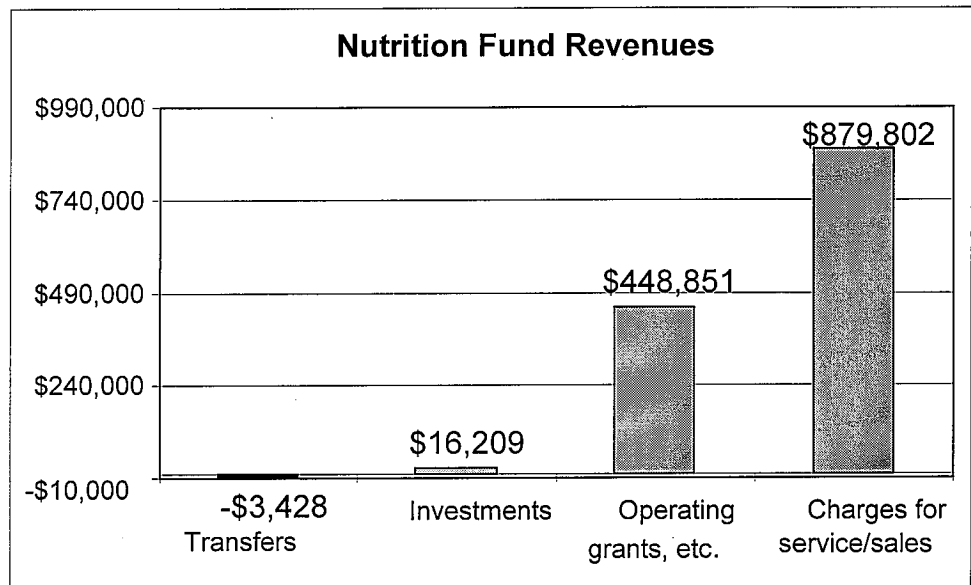
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants and aid and Federal grants.

Bar Graph for Figure A-3 – Changes in Net Assets from Operating Results



Business-Type Activities

Revenues of the District's business-type activities (School Nutrition) were \$1,341,434 and expenses were \$1,267,655. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.



Financial Analysis of the District's Funds

Western Dubuque Schools uses fund accounting to ensure and demonstrate compliance with state and federal legal reporting requirements.

Governmental Fund Highlights

- Following are ending balances of the various funds within the Governmental Fund group and a discussion concerning the change in balances.

<u>Fund Name</u>	<u>2006 Balance</u>	<u>2007 Balance</u>	<u>Change</u>
General	\$ 384,152	\$ 563,080	\$ 178,928
Activity	334,126	389,435	55,309
Management	399,834	585,328	185,494
Physical Plant & Equipment	265,264	346,278	81,014
Construction	198,871	57,743	(141,128)
Local Option Sales Tax	2,912,007	3,645,520	733,513
Debt Service	141,764	159,519	17,755
	<u>\$ 4,636,018</u>	<u>\$ 5,746,903</u>	<u>\$ 1,110,885</u>

- General Fund: The \$563,080 balance is significantly low for the size of the budget and reflects the marginal ability of the District to finance operations.
- Activity Fund: Over 90 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. No significant changes are noted in total fund balance for all accounts.
- Management Fund: The fund is used to pay for early retirement benefits and property/liability insurance. The increased fund balance will be needed to pay insurance obligations coming due in early 2007-08 prior to taxes coming in.
- Physical Plant and Equipment Levy Fund: The \$81,014 increase is due to various projects not completed by June 30, 2007. The P.P.E.L. Fund otherwise is generally earmarked for the following three purposes.
 1. Instructional equipment.
 2. School vehicles.
 3. Buildings and Grounds projects.
- Construction Fund: The Construction Fund balance of \$57,743 on June 30, 2007 is the unexpended balance from the \$6,350,000 bond issuance in fiscal 2002 for the Cascade Elementary and Epworth Elementary projects.

- Local Option Sales Tax Fund: Revenues in this fund come from the one-cent sales tax for school infrastructure from the five counties in the District. In fiscal 2006-07 the District received \$2,539,245 in sales tax receipts from those five counties. In June of 2003 (fiscal year 2003) the District issued \$11,000,000 of revenue bonds for construction projects at Cascade High School, Dyersville Elementary, Peosta Elementary, Drexler Elementary and Western Dubuque High School.

The annual principal and interest for the repayment (10 years) of the \$11,000,000 bond issuance is paid for from annual sales tax receipts.

- Debt Service Fund: The ending balance increased slightly from \$141,764 to \$159,519 due to investment interest.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$466,005 on June 30, 2006 to \$543,212 on June 30, 2007.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional revenue and expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instructional, Support Services, Non-Instructional, and Other function areas of the 2006-2007 budget to reflect expected increases in revenues and corresponding expenses.

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Expense</u>
Instruction	16,046,511	15,711,627	16,114,856
Support Services	7,922,341	8,435,470	7,761,433
Non-Instructional	1,463,793	1,256,717	1,305,117
Other	4,420,639	4,244,496	4,442,622

The amendments and over expenditures were funded from existing cash balances and did not result in any use or additional levy of state or local taxes.

Actual expenses exceeded the amended budget in Instruction and were under the amended budget in Support Services due to a reclassification of state funds for professional teacher development. The expenditures for the state funds were originally included in the Instruction category for the amended budget but were classified as Support Services in the actual budget expense.

Capital Asset and Debt Administration

Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2006	2007	2006	2007	2006	2007	
Land	240,116	240,116	-	-	240,116	240,116	0.00%
Construction in progress	-	297,203	-	-	-	297,203	100.00%
Buildings	24,538,501	24,329,694	-	-	24,538,501	24,329,694	-0.85%
Improvements	243,066	176,817	-	-	243,066	176,817	-27.26%
Furniture & equipment	2,068,610	2,354,505	99,603	130,453	2,168,213	2,484,958	14.61%
Total Capital Assets	<u>27,090,293</u>	<u>27,398,335</u>	<u>99,603</u>	<u>130,453</u>	<u>27,189,896</u>	<u>27,528,788</u>	<u>1.25%</u>

The District's current investment in capital assets of \$27,528,788 represents an increase of \$338,892.

Long-Term Debt

On June 30, 2007 the District had total long-term debt obligations of \$14,416,780. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2006	6/30/2007
General Obligation Bonds	6,690,000	5,885,000
Revenue Bonds	8,035,000	7,000,000
Early Retirement	2,341,303	1,531,780
	<u>17,066,303</u>	<u>14,416,780</u>

The District currently has four different series of registered debt. The \$11,000,000 of revenue bonds was issued in June of 2003 and are payable from local option sales tax.

Year	Original Amount	Unpaid Principal	Remaining Years
1997	3,620,000	560,000	1
2001	4,000,000	4,000,000	14
2002	2,350,000	1,325,000	5
2003	11,000,000	7,000,000	6
	<u>20,970,000</u>	<u>12,885,000</u>	

Factors Bearing on the District's Future

Following are several factors that could have a significant affect on the District's financial condition.

- District Enrollment: The District's certified resident count decreased in fiscal 2006-2007 by 29.7 students.

September 2006	2,741.6
September 2005	2,771.3

The decrease was significant in that it has a direct bearing on the District's general fund revenues. Continued growth in the eastern part of the District should result in steady or increased enrollment in future years.

The District had 125 open enrolled-in students and 75 open enrolled-out students in fiscal 2007. Each student generates over \$5,000 in tuition revenue or expense. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses.

- Instructional Support Program: The District completed the fifth year of a five year voter approved Instructional Support Program. Approximately \$993,467 per year in property taxes, income surtax, and state aid revenues result from the program. Expenditures for the program pay for the following.

1. Teacher wages	\$ 474,441
2. School buses	381,393
3. Private school textbooks	113,716
4. Athletic trainer	35,553
5. Computer services	97,345

This program will end after the 2006-2007 school year. The program was renewed for an additional five years. See notes on page 5.

- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for transportation costs. If operational costs (fuel, labor and vehicles) increase at a higher rate than the District's revenue growth, changes in the services that are provided will need to be made.
- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Approximately 39% of the District's enrollment is in grades 9-12. The state average for the same grade range is 30%. The Iowa funding formula does not provide additional funding for high school students versus elementary students. As a result, the Western Dubuque District already incurs significant costs for operating two high schools. A significant change in its elementary to secondary school enrollment ratio would affect the ability to fund existing high school programs and activities.

- Wages and benefits are by far the most significant expenditure of the District's operation costs. Salary and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget.
- Financial Solvency Ratio: A measure of a school district's financial health can be determined from its Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability to repay borrowings. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

$$\frac{\text{Unreserved Fund Balance}}{\div \text{Total Receipts} - \text{AEA Support}}$$

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2000-2001	4.8%
2001-2002	3.5%
2002-2003	3.5%
2003-2004	0.4%
2004-2005	0.1%
2005-2006	1.6%
2006-2007	2.2%

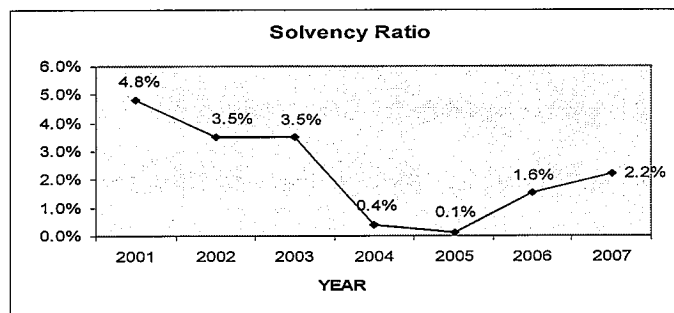
Grading:

> 5%	Good
0% to 5%	Acceptable
-3% to 0%	Concern
< -3%	Serious Concern

Two major reasons for the decline of the ratio are:

1. State aid cuts in 2003-2004.
2. Unlevied property taxes for increased enrollment in the Fall of 2003 and 2004.

To achieve a targeted solvency ratio of 5%, the District would need to initially levy approximately \$850,000. Thereafter, the District would need to levy for on-time enrollment increases and state aid cuts or reduce expenditures to compensate for the cash shortfalls related to the two factors.



Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Wegmann, District Secretary/Treasurer and Business Manager, Western Dubuque County Community School District, 405 3rd Avenue NE, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business Type Activities	Total
Assets	-----	-----	-----
Cash and Cash Equivalents:			
ISCAP	\$ 4,990,645	\$ ---	\$ 4,990,645
Other	7,247,268	381,783	7,629,051
Receivables:			
Property Tax:			
Delinquent	113,810	---	113,810
Succeeding year	11,036,945	---	11,036,945
Income surtax	533,422	---	533,422
Accounts	18,190	---	18,190
ISCAP accrued interest	42,198	---	42,198
Other	57,457	---	57,457
Due from other governments	727,157	---	727,157
Due from other funds	38	(38)	---
Prepaid expenses	13,463	103	13,566
Deferred debt expense	55,250	---	55,250
Inventories	---	44,840	44,840
Capital assets, net of accumulated depreciation	27,398,335	130,453	27,528,788
	-----	-----	-----
Total Assets	\$ 52,234,178	\$ 557,141	\$ 52,791,319
	-----	-----	-----
Liabilities			
Accounts payable	\$ 605,780	\$ 772	\$ 606,552
Salaries and benefits payable	1,797,175	13,157	1,810,332
Accrued interest payable	41,676	---	41,676
Deferred revenue - succeeding year property tax	11,036,945	---	11,036,945
ISCAP warrants payable	5,000,000	---	5,000,000
ISCAP accrued interest payable	29,561	---	29,561
ISCAP unamortized premium	30,807	---	30,807
Long-term Liabilities:			
Portion due within one year:			
General obligation bonds payable	840,000	---	840,000
Revenue bonds payable	1,060,000	---	1,060,000
Early retirement payable	536,243	---	536,243
Portion due after one year:			
General obligation bonds payable	5,045,000	---	5,045,000
Revenue bonds payable	5,940,000	---	5,940,000
Early retirement payable	995,537	---	995,537
Unamortized bond discount	(110,244)	---	(110,244)
	-----	-----	-----
Total Liabilities	\$ 32,848,480	\$ 13,929	\$ 32,862,409
	-----	-----	-----

See notes to financial statements.

EXHIBIT "A" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 15,613,335	\$ 130,453	\$ 15,743,788
Restricted for:			
Management levy	585,328	---	585,328
Physical plant and equipment levy	346,278	---	346,278
Other special revenue purposes	389,435	---	389,435
School infrastructure	2,493,512	---	2,493,512
Debt payment	1,369,270	---	1,369,270
Other	71,179	---	71,179
Unrestricted	(1,482,639)	412,759	(1,069,880)
	-----	-----	-----
Total Net Assets	\$ 19,385,698	\$ 543,212	\$ 19,928,910
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating		Governmental Activities	Business Type Activities	Total
			Grants and Contributions	Capital Grants and Contributions			
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 9,659,308	\$ 774,104	\$ 1,288,390	\$ ---	\$ (7,596,814)	\$ ---	\$ (7,596,814)
Special instruction	2,784,498	197,373	696,987	---	(1,890,138)	---	(1,890,138)
Other instruction	2,924,318	951,810	28,312	---	(1,944,196)	---	(1,944,196)
Total Instruction	\$ 15,368,124	\$ 1,923,287	\$ 2,013,689	\$ ---	\$ (11,431,148)	\$ ---	\$ (11,431,148)
Support Services:							
Student	\$ 806,143	\$ ---	\$ ---	\$ ---	\$ (806,143)	\$ ---	\$ (806,143)
Instructional staff	351,269	---	19,467	---	(331,802)	---	(331,802)
Administration	2,535,427	---	1,500	---	(2,533,927)	---	(2,533,927)
Operation and maintenance of plant	1,669,337	41,819	---	---	(1,627,518)	---	(1,627,518)
Transportation services	2,065,809	81,314	654,702	---	(1,329,793)	---	(1,329,793)
Total Support Services	\$ 7,427,985	\$ 123,133	\$ 675,669	\$ ---	\$ (6,629,183)	\$ ---	\$ (6,629,183)
Non-instructional Programs	\$ 3,585	\$ ---	\$ ---	\$ ---	\$ (3,585)	\$ ---	\$ (3,585)

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued)						
Governmental Activities: (Continued)						
Other Expenditures:						
Facilities acquisition	\$ 212,830	\$ ---	\$ 6,011	\$ (206,819)	\$ ---	\$ (206,819)
Long-term debt interest	606,519	---	---	(606,519)	---	(606,519)
AEA flowthrough	1,042,947	1,042,947	---	---	---	---
Depreciation (unallocated)*	748,302	---	---	(748,302)	---	(748,302)
Total Other Expenditures	\$ 2,610,598	\$ 1,042,947	\$ 6,011	\$ (1,561,640)	\$ ---	\$ (1,561,640)
Total Governmental Activities	\$ 25,410,292	\$ 3,732,305	\$ 6,011	\$ (19,625,556)	\$ ---	\$ (19,625,556)
Business Type Activities:						
Noninstructional programs:						
Nutritional services	1,267,655	879,802	448,851	---	60,998	60,998
Total	\$ 26,677,947	\$ 2,926,222	\$ 4,181,156	\$ (19,625,556)	\$ 60,998	\$ (19,564,558)

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

EXHIBIT "B" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities
Expenses					Total
General Revenues:					
Property tax levied for:					
General purposes				\$ 9,364,316	\$ 9,364,316
Debt service				1,107,953	1,107,953
Capital outlay				282,819	282,819
Instructional support surtax				611,143	611,143
Local option sales and service tax				2,539,245	2,539,245
Unrestricted state grants				9,143,503	9,143,503
Unrestricted investment earnings				560,545	576,754
Other				71,664	71,664
Transfers				3,428	(3,428)
Total General Revenues				\$ 23,684,616	\$ 23,697,397
Change in Net Assets					
Net Assets Beginning of Year				\$ 4,059,060	\$ 4,132,839
				15,326,638	15,796,071
Net Assets End of Year				\$ 19,385,698	\$ 19,928,910

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments:				
ISCAP	\$ 4,990,645	\$ ---	\$ ---	\$ 4,990,645
Other	2,062,597	3,656,083	1,528,588	7,247,268
Receivables:				
Property tax:				
Delinquent	87,252	---	26,558	113,810
Succeeding year	8,533,728	---	2,503,217	11,036,945
Income surtax	533,422	---	---	533,422
Accounts	17,389	---	801	18,190
ISCAP accrued interest	42,198	---	---	42,198
Other	---	56,299	1,158	57,457
Due from other funds	5,605	---	---	5,605
Due from other governments	515,889	205,257	6,011	727,157
Prepaid expenses	9,683	---	3,780	13,463
Total Assets	\$16,798,408	\$ 3,917,639	\$ 4,070,113	\$24,786,160
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 310,635	\$ 272,119	\$ 23,026	\$ 605,780
Salaries and benefits payable	1,797,175	---	---	1,797,175
Due to other funds	---	---	5,567	5,567
ISCAP warrants payable	5,000,000	---	---	5,000,000
ISCAP unamortized premium	30,807	---	---	30,807
ISCAP accrued interest payable	29,561	---	---	29,561
Deferred revenue:				
Succeeding year property tax	8,533,728	---	2,503,217	11,036,945
Income surtax	533,422	---	---	533,422
Total Liabilities	\$16,235,328	\$ 272,119	\$ 2,531,810	\$19,039,257
Fund Balances:				
Reserved for:				
Debt payment	\$ ---	\$ 1,209,751	\$ ---	\$ 1,209,751
Other	71,179	---	---	71,179
Unreserved	491,901	2,435,769	1,538,303	4,465,973
Total Fund Balances	\$ 563,080	\$ 3,645,520	\$ 1,538,303	\$ 5,746,903
Total Liabilities and Fund Balances	\$16,798,408	\$ 3,917,639	\$ 4,070,113	\$24,786,160

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total Fund Balances of Governmental Funds	\$ 5,746,903
--	--------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets of \$43,479,808, net of accumulated depreciation of (\$16,081,473) are not financial resources and, therefore, are not reported in the governmental funds.	27,398,335
---	------------

Income surtaxes and other deferred revenues will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	533,422
---	---------

Long-term liabilities of (\$14,416,780) are not due and payable in the current period and are not reported in the funds. Other related amounts include deferred debt expense of \$55,250, bond interest payable of (\$41,676), and unamortized bond discount of \$110,244.	(14,292,962)
--	--------------

Net Assets of Governmental Activities	\$ 19,385,698
--	----------------------

EXHIBIT "E"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Revenues				
Local sources:				
Local tax	\$ 8,799,662	\$ 2,539,245	\$ 2,541,626	\$13,880,533
Tuition	830,306	---	---	830,306
Other	756,262	192,933	962,114	1,911,309
Intermediate sources	1,306	---	---	1,306
State sources	11,983,373	---	1,542	11,984,915
Federal sources	844,300	---	6,011	850,311
	-----	-----	-----	-----
Total Revenues	\$23,215,209	\$ 2,732,178	\$ 3,511,293	\$29,458,680
	-----	-----	-----	-----
Expenditures				
Current:				
Instruction:				
Regular instruction	\$ 9,727,522	\$ ---	\$ 584,389	\$10,311,911
Special instruction	2,780,007	---	2,566	2,782,573
Other instruction	2,164,951	---	855,421	3,020,372
	-----	-----	-----	-----
Total Instruction	\$14,672,480	\$ ---	\$ 1,442,376	\$16,114,856
	-----	-----	-----	-----
Support Services:				
Student	\$ 815,429	\$ ---	\$ 26,483	\$ 841,912
Instructional staff	390,102	---	3,604	393,706
Administration	2,517,975	---	72,870	2,590,845
Operation and maintenance of plant	1,522,549	---	184,839	1,707,388
Transportation	2,083,377	---	144,205	2,227,582
	-----	-----	-----	-----
Total Support Services	\$ 7,329,432	\$ ---	\$ 432,001	\$ 7,761,433
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ 37,462	\$ 37,462
	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "E" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	General	Local Option Sales Tax	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Expenditures (Continued)				
Other Expenditures:				
Facilities acquisition	\$ ---	\$ 676,635	\$ 289,066	\$ 965,701
Long-term debt:				
Principal	---	---	1,840,000	1,840,000
Interest and fiscal charges	---	---	593,974	593,974
AEA flowthrough	1,042,947	---	---	1,042,947
	-----	-----	-----	-----
Total Other Expenditures	\$ 1,042,947	\$ 676,635	\$ 2,723,040	\$ 4,442,622
	-----	-----	-----	-----
Total Expenditures	\$23,044,859	\$ 676,635	\$ 4,634,879	\$28,356,373
	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 170,350	\$ 2,055,543	\$(1,123,586)	\$ 1,102,307
	-----	-----	-----	-----
Other Financing Sources (Uses)				
Compensation for loss of fixed assets	\$ 5,150	\$ ---	\$ ---	\$ 5,150
Operating transfers in	3,428	---	1,322,030	1,325,458
Operating transfers out	---	(1,322,030)	---	(1,322,030)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 8,578	\$(1,322,030)	\$ 1,322,030	\$ 8,578
	-----	-----	-----	-----
Net Change in Fund Balances	\$ 178,928	\$ 733,513	\$ 198,444	\$ 1,110,885
	-----	-----	-----	-----
Fund Balances Beginning of Year	384,152	2,912,007	1,339,859	4,636,018
	-----	-----	-----	-----
Fund Balances End of Year	\$ 563,080	\$ 3,645,520	\$ 1,538,303	\$ 5,746,903
	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "F"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 1,110,885
---	---------------------

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,651,676 exceeded depreciation of \$(1,331,833) in the current period.	319,843
--	---------

In the statement of activities, loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. This is the amount by which the cost of the assets disposed of \$(605,893) exceeded the related accumulated depreciation of \$594,092.	(11,801)
--	----------

Because income surtaxes and other deferred revenues will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year.	13,895
---	--------

The proceeds of debt issuances provide current financial resources to Governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of \$1,840,000 exceeded amortization of bond discount of \$(17,716) and amortization of issuance costs of \$(10,740).	1,811,544
--	-----------

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net decreases in early retirement payable of \$809,523 and accrued interest of \$5,171.	814,694
---	---------

Change in Net assets of Governmental Activities	\$ 4,059,060 <hr style="border: none; border-top: 1px dashed black;"/> <hr style="border: none; border-top: 3px double black;"/>
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See notes to financial statements.

EXHIBIT "G"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

		Other Nonmajor Enterprise Fund	
	School Nutrition	Regular Education Preschool	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 381,783	\$ ---	\$ 381,783
Prepaid expenses	103	---	103
Inventories	44,840	---	44,840
Capital assets, net of accumulated depreciation	130,453	---	130,453
	-----	-----	-----
Total Assets	\$ 557,179	\$ ---	\$ 557,179
	-----	-----	-----
Liabilities			
Accounts payable	\$ 772	\$ ---	\$ 772
Salaries and benefits payable	13,157	---	13,157
Due to other funds	38	---	38
	-----	-----	-----
Total Liabilities	\$ 13,967	\$ ---	\$ 13,967
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 130,453	\$ ---	\$ ---
Unrestricted	412,759	---	543,212
	-----	-----	-----
Total Net Assets	\$ 543,212	\$ ---	\$ 543,212
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	School Nutrition	Other Nonmajor Enterprise Fund ----- Regular Education Preschool	Total -----
Operating Revenue			
Local sources:			
Charges for services	\$ 879,802	\$ ---	\$ 879,802
Operating Expenses			
Non-instructional Programs:			
Salaries and benefits	\$ 488,608	\$ ---	\$ 488,608
Benefits	117,093	---	117,093
Purchased services	12,382	---	12,382
Supplies	633,362	---	633,362
Depreciation	16,210	---	16,210
Total Operating Expenses	\$ 1,267,655	\$ ---	\$ 1,267,655
Operating Income (Loss)	\$ (387,853)	\$ ---	\$ (387,853)
Non-Operating Revenues			
State sources	\$ 16,007	\$ ---	\$ 16,007
Federal sources	432,844	---	432,844
Interest income	16,209	---	16,209
Total Non-Operating Revenue	\$ 465,060	\$ ---	\$ 465,060
Income Before Transfers	\$ 77,207	\$ ---	\$ 77,207
Transfers out	---	(3,428)	(3,428)
Change in Net Assets	\$ 77,207	\$ (3,428)	\$ 73,799
Net Assets Beginning of Year	466,005	3,428	469,433
Net Assets End of Year	\$ 543,212	\$ ---	\$ 543,212

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	School Nutrition	Other Nonmajor Enterprise Fund Regular Education Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts	\$ 879,825	\$ ---	\$ 879,825
Cash received for tuition	---	105	105
Cash payment to employees for services	(634,083)	(1,320)	(635,403)
Cash payments to suppliers for goods and services	(577,421)	69	(577,352)
Net Cash (Used) by Operating Activities	\$ (331,679)	\$ (1,146)	\$ (332,825)
Cash Flows From Non-Capital Financing Activities			
State grants received	\$ 16,007	\$ ---	\$ 16,007
Federal grants received	361,201	---	361,201
Transfers to other funds	---	(3,428)	(3,428)
Net Cash Provided (Used) by Non-capital Financing Activities	\$ 377,208	\$ (3,428)	\$ 373,780
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	\$ (47,059)	\$ ---	\$ (47,059)
Cash Flows From Investing Activities			
Interest on investments	\$ 16,209	\$ ---	\$ 16,209
Net Increase in Cash and Cash Equivalents	\$ 14,679	\$ (4,574)	\$ 10,105
Cash and Cash Equivalents at Beginning of Year	367,104	4,574	371,678
Cash and Cash Equivalents at End of Year	\$ 381,783	\$ ---	\$ 381,783

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

		Other Nonmajor Enterprise Fund	
	School Nutrition	Regular Education Preschool	Total
	-----	-----	-----
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (387,853)	\$ ---	\$ (387,853)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities used	71,643	---	71,643
Depreciation	16,209	---	16,209
(Increase) in inventories	(5,988)	---	(5,988)
Decrease in accounts receivable	23	105	128
Decrease in prepaid expenses	2,093	69	2,162
Increase in accounts payable	576	---	576
Increase (decrease) in salaries and benefits payable	9,986	(1,320)	8,666
(Decrease) in due to other funds	(38,368)	---	(38,368)
	-----	-----	-----
Net Cash Used in Operating Activities	\$ (331,679)	\$ (1,146)	\$ (332,825)
	=====	=====	=====

Non-Cash Investing, Capital and Financing Activities

During the year ended June 30, 2007, the District received \$73,237 of federal commodities.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private Purpose Trust
	Scholarship
Assets	
Cash and pooled investments	\$ 61,735
Liabilities	
None	\$ ---
Net Assets	
Reserved for scholarships	\$ 61,735

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007**

	Private Purpose Trust
	----- Scholarship -----
Additions	
Local Sources:	
Gifts and contributions	\$ 7,641
Interest	2,701

Total Additions	\$ 10,342

Deductions	
Support Services:	
Scholarships awarded	\$ 1,853

Change in Net Assets	\$ 8,489

Net Assets Beginning of Year	53,246

Net Assets End of Year	\$ 61,735
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Western Dubuque County Community School District has two component units which meet the Governmental Accounting Standards Board criteria, the Bobcat Foundation and the C.A.R.E. Foundation. These component units have not been included in the District's financial statements.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of Dubuque County Assessor's Conference Board, the Dubuque County Empowerment Board, and the Dubuque County Resource Enhancement and Protection Board.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Local Option Sales Tax Fund is used to account for resources used in the acquisition and construction of capital facilities as well as accounting for resources used for repayment of revenue bonds issued to finance the acquisition of capital facilities.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	All
Buildings	\$ 3,000
Improvements other than buildings	3,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax and income surtax receivable.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Obligations, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond issuance costs and bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements in the instruction, non-instructional programs, and other expenditures functional areas exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies: (Continued)

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash and Pooled Investments:

The District's deposits in banks at June 30, 2007, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost -----
Diversified Portfolio	\$ 1,445,515

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk: The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Due From and Due To Other Funds:

The detail of interfund receivables and payables at June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Student Activity	\$ 5,567
	Enterprise:	
	Nutrition	38

		\$ 5,605
		=====

The Student Activity Fund is repaying the General Fund for expenditures incorrectly paid from the General Fund. The Nutrition Fund is repaying the General Fund for nutrition program wages paid from the General Fund. These balances will be repaid within fiscal year 2008.

Note 4 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Regular Education Preschool	\$ 3,428
Debt Service	Local Option Sales Tax	1,322,030

Total		\$ 1,325,458
		=====

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. A transfer from Regular Education Preschool was done to close the fund.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 - Iowa School Cash Anticipation Program (ISCAP):

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-07A	6/28/06	6/28/07	\$ ---	\$ 10,445	\$ ---	\$ ---
2006-07B	1/26/07	1/25/08	1,496,175	30,708	1,500,000	28,670
2007-08A	6/27/07	6/27/08	3,494,470	1,045	3,500,000	891
			<u>\$ 4,990,645</u>	<u>\$ 42,198</u>	<u>\$ 5,000,000</u>	<u>\$ 29,561</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2006-07A	\$ ---	\$ 2,600,000	\$ 2,600,000	\$ ---
2006-07B	---	1,575,000	1,575,000	---
	<u>\$ ---</u>	<u>\$ 4,175,000</u>	<u>\$ 4,175,000</u>	<u>\$ ---</u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2006-07A	4.500%	5.676%
2006-07B	4.250%	5.315%
2007-08A	4.500%	5.455%

Note 6 - Capital Assets:

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 240,116	\$ ---	\$ ---	\$ 240,116
Construction in progress	---	297,203	---	297,203
Total capital assets, not being depreciated	\$ 240,116	\$ 297,203	\$ ---	\$ 537,319
Capital assets, being depreciated:				
Buildings	\$ 31,725,493	\$ 453,148	\$ ---	\$ 32,178,641
Improvements other than buildings	1,602,819	---	---	1,602,819
Furniture and equipment	8,865,597	901,325	605,893	9,161,029
Total capital assets, being depreciated	\$ 42,193,909	\$ 1,354,473	\$ 605,893	\$ 42,942,489
Less accumulated depreciation for:				
Buildings	\$ 7,186,992	\$ 661,955	\$ ---	\$ 7,848,947
Improvements other than buildings	1,359,753	66,249	---	1,426,002
Furniture and equipment	6,796,987	603,629	594,092	6,806,524
Total accumulated depreciation	\$ 15,343,732	\$ 1,331,833	\$ 594,092	\$ 16,081,473
Total capital assets, being depreciated, net	\$ 26,850,177	\$ 22,640	\$ 11,801	\$ 26,861,016
Total governmental activities capital assets, net	\$ 27,090,293	\$ 319,843	\$ 11,801	\$ 27,398,335

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6- Capital Assets: (Continued)

Business type activities:				
Furniture and equipment	\$ 191,456	\$ 47,059	\$ ---	\$ 238,515
Less accumulated depreciation	91,853	16,209	---	108,062
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business type activities capital assets, net	\$ 99,603	\$ 30,850	\$ ---	\$ 130,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 210,856
Special	1,925
Other	25,054
Support Services:	
Student	1,143
Administration	2,721
Operation and maintenance of plant	11,069
Transportation	312,904
Non-instructional	17,859
Unallocated	748,302
	<u> </u>
Total governmental activities depreciation expense	\$1,331,833
	<u> </u>
Business type activities:	
Food service operations	\$ 16,209
	<u> </u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Long-Term Debt:

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,690,000	\$ ---	\$ 805,000	\$ 5,885,000	\$ 840,000
Revenue bonds	8,035,000	---	1,035,000	7,000,000	1,060,000
Early retirement	2,341,303	30,498	840,021	1,531,780	536,243
Total	<u>\$ 17,066,303</u>	<u>\$ 30,498</u>	<u>\$ 2,680,021</u>	<u>\$ 14,416,780</u>	<u>\$ 2,436,243</u>

General Obligation Bonds Payable

Details of the District's June 30, 2007, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue February 27, 1997			Bond Issue September 1, 2001		
	Interest Rates	Principal Amount	Interest	Interest Rates	Principal Amount	Interest
2008	5.000	560,000	28,000	4.500	---	187,499
2009	---	---	---	4.500	---	187,499
2010	---	---	---	4.500	---	187,499
2011	---	---	---	4.500	---	187,499
2012	---	---	---	4.500	210,000	187,499
2013-2017	---	---	---	4.650-4.700	1,910,000	721,100
2018-2021	---	---	---	4.750	1,880,000	228,713
		<u>560,000</u>	<u>28,000</u>		<u>4,000,000</u>	<u>1,887,308</u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Long-Term Debt: (Continued)

Year Ending June 30,	Bond Issue February 1, 2002			Total	
	Interest Rates	Principal Amount	Interest	Principal	Interest
2008	3.800	280,000	53,455	840,000	268,954
2009	4.000	295,000	42,815	295,000	230,314
2010	4.000	305,000	31,015	305,000	218,514
2011	4.200	320,000	18,815	320,000	206,314
2012	4.300	125,000	5,375	335,000	192,874
2013-2017	---	---	---	1,910,000	721,100
2018-2021	---	---	---	1,880,000	228,713
		<u>1,325,000</u>	<u>151,475</u>	<u>5,885,000</u>	<u>2,066,783</u>

Series 1997 bonds are due June 1, 2002-2005, inclusive, are noncallable. Bonds due June 1, 2006-2008, inclusive, are callable in part and on any date on or after June 1, 2005, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District and within any maturity by lot.

Series 2001 bonds due June 1, 2012-2021, inclusive, are callable on any date on or after June 1, 2011, at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any maturities as determined by the District and within any maturity by lot.

Series 2002 bonds due June 1, 2004 - 2008, inclusive, are noncallable. Bonds due June 1, 2009 - 2012, inclusive, are callable in whole or in part on any date after June 1, 2008 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Long-Term Debt: (Continued)

Revenue Bonds Payable

Details of the District's June 30, 2007, local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue June 30, 2003		
	Interest Rates	Principal Amount	Interest
2008	3.200%	1,060,000	257,015
2009	3.200%	1,095,000	223,095
2010	3.600%	1,140,000	188,055
2011	3.900%	1,185,000	147,015
2012	4.000%	1,235,000	100,800
2013	4.000%	1,285,000	51,400
		<u>7,000,000</u>	<u>967,380</u>

The local option sales and service tax revenue bonds were issued for the purpose of providing funds to pay costs of school infrastructure. The Bonds are special limited revenue obligations of the Issuer, payable solely from the Local Option Sales and Service Tax revenues received by the Issuer under the Act and pledged to the repayment of the Bonds under the Bond Resolution. The Bonds are not general obligations of the Issuer and the general credit and taxing powers of the Issuer are not pledged to the payment of the principal thereof or interest thereon.

The resolution providing for the issuance of the local option sales and services tax revenue bonds include the following provisions:

- a) Interest on the Bonds is payable on June 1 and December 1 in each year, beginning December 1, 2003, to the registered owners thereof. The Bonds will mature serially on June 1. Bonds maturing on or after June 1, 2010, may be called for redemption by the Issuer and paid before maturity on said date or any date thereafter, from any funds regardless of source, in whole or from time to time in part, in any order of maturity and within an annual maturity by lot, at par plus accrued interest to date of call.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Long-Term Debt: (Continued)

Revenue Bonds Payable

- b) The Bond Resolution establishes a Project Fund (the "Project Fund") into which the net Bond proceeds shall be deposited. Moneys in the Project Fund shall be used for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose. Any Project Fund moneys used to pay debt service on the Bonds shall be repaid to the Project Fund at the earliest opportunity.
- c) The Bond Resolution also establishes the Local Option Sales and Services Tax Revenue Fund (the "Revenue Fund"), into which shall be deposited all local option sales taxes when received from the State. Moneys in the Revenue Fund shall be disbursed to the following funds and accounts in the following order of priority.
- d) Interest and principal on the Bonds (and any Parity Obligations, as defined below) will be paid from the Sinking Fund (the "Sinking Fund"). The amount to be deposited in the Sinking Fund shall be equal to the amount of principal and interest coming due on the Bonds, and any other obligations payable from the Local Option Tax revenues on a parity with the Bonds ("Parity Obligations") during the fiscal year and shall be used solely for the purpose of paying debt service on the Bonds and any Parity Obligations.
- e) The Bonds are secured by the Reserve Fund established under the Bond Resolution which Reserve Fund will be funded from proceeds of the Bonds. So long as any Bonds are outstanding, the Issuer is required to maintain an amount on deposit in the Reserve Fund equal to the lesser of (a) the sum of 10% of the proceeds of the Bonds; (b) 125% of the average annual debt service on such Bonds and (c) the maximum annual debt service on such Bonds (the "Reserve Fund Requirement").

The District did comply with all of the provisions during the year ended June 30, 2007. The Sinking Fund and Reserve Fund requirements are accounted for in the Local Option Sales Tax Fund.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 7 - Long-Term Debt: (Continued)

Early Retirement

The District previously offered the following early retirement plans to its employees.

Principals/Supervisors – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District of which the last ten years must be as an administrator or supervisor. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Cash incentive benefits are deposited with a third-party administrator on behalf of the employee. Employees are provided four years of medical insurance payments at the same employer contribution level as when they retired.

Teachers/Nurses – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days and personal leave days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided five years of medical insurance payments at the employer contribution level for family coverage at the time of retirement.

Hourly Employees – Eligible employees must be at least age fifty-five and must have completed fifteen years of service to the District. The early retirement incentive for each eligible employee is equal to 35% of unused accumulated sick days as of June 30 of their last contract year. Employees have the option of receiving cash incentive benefits in a lump sum or delaying payment into the following calendar year. Employees are provided three years of medical insurance payments at the same employer contribution level as when they retired.

Early retirement benefits paid during the year ended June 30, 2007, totaled \$840,021. Fiscal year 2006 was the final year of the program for Principals/Supervisors and Teachers/Nurses. Fiscal year 2007 was the final year of the program for Hourly Employees.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 8 - Lease Agreement:

On October 20, 2001, the District entered an agreement to lease a building for five years. The District is to receive rent of \$36,000 per year for the first two years with the rent for the remaining three years to be negotiated. On February 12, 2003, the lease was renegotiated and the District is to receive \$37,440 for the remainder of the lease. At the end of five years, the lessee has the option to renew the lease for an additional five years. On February 15, 2006, the lessee renewed the lease for five years. The District is to receive rent of \$37,440 per year.

Note 9 - 28E Agreement:

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

Note 10 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005, were \$825,574, \$856,349, and \$755,161, respectively, equal to the required contributions for each year.

Note 11 - Risk Management:

Western Dubuque County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 12 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,042,947 for the year ended June 30, 2007, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13- Construction in Progress:

In April 2007, the District entered into two contracts totaling \$628,835 to replace the roof of a high school and install an elevator and ADA restroom at a middle school. During the year, a change order was executed that reduced the cost of the contracts by \$19,713. At June 30, 2007, \$295,763 of the contracts was completed. The remaining amounts will be paid as work on the projects progresses.

Note 14 - Contingencies:

Compensated Absences - District employees accumulate sick leave hours for subsequent use. Since the accumulated hours do not vest, they do not become liabilities until used. The District's unrecorded contingent liability for sick leave as of June 30, 2007, is approximately \$5,091,675. The District does not have a liability for employee vacations as they do not vest and any unused vacation lapses at year-end.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 16,622,148	\$ 896,011	\$ 17,518,159	\$ 16,891,946	\$ 16,891,946	\$ 626,213
Intermediate sources	1,306	---	1,306	---	---	1,306
State sources	11,984,915	16,007	12,000,922	12,081,713	12,081,713	(80,791)
Federal sources	850,311	432,844	1,283,155	1,408,159	1,408,159	(125,004)
Total Revenues	\$ 29,458,680	\$ 1,344,862	\$ 30,803,542	\$ 30,381,818	\$ 30,381,818	\$ 421,724
Expenditures						
Instruction	\$ 16,114,856	\$ ---	\$ 16,114,856	\$ 16,046,511	\$ 15,711,627	\$ (403,229)
Support services	7,761,433	---	7,761,433	7,922,341	8,435,470	674,037
Non-instructional programs	37,462	1,267,655	1,305,117	1,463,793	1,256,717	(48,400)
Other expenditures	4,442,622	---	4,442,622	4,420,639	4,244,496	(198,126)
Total Expenditures	\$ 28,356,373	\$ 1,267,655	\$ 29,624,028	\$ 29,853,284	\$ 29,648,310	\$ 24,282
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,102,307	\$ 77,207	\$ 1,179,514	\$ 528,534	\$ 733,508	\$ 446,006
Other Financing Sources, Net	8,578	(3,428)	8,578	---	---	8,578
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 1,110,885	\$ 73,779	\$ 1,188,092	\$ 528,534	\$ 733,508	\$ 454,584
Balances Beginning of Year	4,636,018	469,433	5,105,451	3,334,822	3,334,822	1,770,629
Balances End of Year	\$ 5,746,903	\$ 543,212	\$ 6,293,543	\$ 3,863,356	\$ 4,068,330	\$ 2,225,213

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment decreasing budgeted expenditures by \$204,974.

During the year ended June 30, 2007, expenditures in the instruction, non-instructional programs, and other expenditure functions exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE "1"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds					
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	Total Nonmajor Governmental Funds
Assets						
Cash and pooled investments	\$ 568,164	\$ 411,352	\$ 343,078	\$ 57,743	\$ 148,251	\$1,528,588
Receivables:						
Property tax:						
Delinquent	12,226	---	2,914	---	11,418	26,558
Succeeding year	1,104,625	---	289,639	---	1,108,953	2,503,217
Accounts	---	801	---	---	---	801
Other	1,158	---	---	---	---	1,158
Due from other governments	---	---	6,011	---	---	6,011
Prepaid expenses	3,780	---	---	---	---	3,780
Total Assets	<u>\$1,689,953</u>	<u>\$ 412,153</u>	<u>\$ 641,642</u>	<u>\$ 57,743</u>	<u>\$1,268,622</u>	<u>\$4,070,113</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ ---	\$ 17,151	\$ 5,725	\$ ---	\$ 150	\$ 23,026
Due to other funds	---	5,567	---	---	---	5,567
Deferred revenue:						
Succeeding year property tax	1,104,625	---	289,639	---	1,108,953	2,503,217
Total Liabilities	<u>\$1,104,625</u>	<u>\$ 22,718</u>	<u>\$ 295,364</u>	<u>\$ ---</u>	<u>\$1,109,103</u>	<u>\$2,531,810</u>
Unreserved fund balances	<u>\$ 585,328</u>	<u>\$ 389,435</u>	<u>\$ 346,278</u>	<u>\$ 57,743</u>	<u>\$ 159,519</u>	<u>\$1,538,303</u>
Total Liabilities and Fund Balances	<u>\$1,689,953</u>	<u>\$ 412,153</u>	<u>\$ 641,642</u>	<u>\$ 57,743</u>	<u>\$1,268,622</u>	<u>\$4,070,113</u>

See accompanying independent auditor's report.

SCHEDULE "2"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	Total Nonmajor Governmental Funds
Revenues						
Local Sources:						
Local tax	\$ 1,150,854	\$ ---	\$ 282,819	\$ ---	\$ 1,107,953	\$ 2,541,626
Other	34,930	890,359	12,201	3,536	21,088	962,114
State sources	715	---	169	---	658	1,542
Federal sources	---	---	6,011	---	---	6,011
Total Revenues	\$ 1,186,499	\$ 890,359	\$ 301,200	\$ 3,536	\$ 1,129,699	\$ 3,511,293
Expenditures						
Current:						
Instruction:						
Regular instruction	\$ 584,389	\$ ---	\$ ---	\$ ---	\$ ---	\$ 584,389
Special instruction	2,566	---	---	---	---	2,566
Other instruction	45,456	809,965	---	---	---	855,421
Total Instruction	\$ 632,411	\$ 809,965	\$ ---	\$ ---	\$ ---	\$ 1,442,376
Support Services:						
Student	\$ 26,483	\$ ---	\$ ---	\$ ---	\$ ---	\$ 26,483
Instructional staff	1,718	---	---	1,886	---	3,604
Administration	49,165	77	23,628	---	---	72,870
Operation and maintenance of plant	147,236	---	37,603	---	---	184,839
Transportation	106,530	25,008	12,667	---	---	144,205
Total Support Services	\$ 331,132	\$ 25,085	\$ 73,898	\$ 1,886	\$ ---	\$ 432,001
Non-instructional Programs	\$ 37,462	\$ ---	\$ ---	\$ ---	\$ ---	\$ 37,462

See accompanying independent auditor's report.

SCHEDULE "2" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Construction	Debt Service	
Expenditures (Continued)						
Other Expenditures:						
Facilities acquisition	\$ ---	\$ ---	\$ 146,288	\$ 142,778	\$ ---	\$ 289,066
Long-term debt:						
Principal	---	---	---	---	1,840,000	1,840,000
Interest and fiscal charges	---	---	---	---	593,974	593,974
Total Other Expenditures	\$ ---	\$ ---	\$ 146,288	\$ 142,778	\$ 2,433,974	\$ 2,723,040
Total Expenditures	\$ 1,001,005	\$ 835,050	\$ 220,186	\$ 144,664	\$ 2,433,974	\$ 4,634,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 185,494	\$ 55,309	\$ 81,014	\$ (141,128)	\$(1,304,275)	\$(1,123,586)
Other Financing Sources (Uses)						
Operating transfers in	---	---	---	---	1,322,030	1,322,030
Net Change in Fund Balances	\$ 185,494	\$ 55,309	\$ 81,014	\$ (141,128)	\$ 17,755	\$ 198,444
Fund Balances Beginning of Year	399,834	334,126	265,264	198,871	141,764	1,339,859
Fund Balances End of Year	\$ 585,328	\$ 389,435	\$ 346,278	\$ 57,743	\$ 159,519	\$ 1,538,303

See accompanying independent auditor's report.

SCHEDULE "3"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2007
District Wide Accounts:					
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Miscellaneous	(88)	---	77	---	(165)
Western Trip	8,715	---	---	---	8,715
District Wide Interest	51,937	22,782	---	---	74,719
Student/Employee Wellness	1,149	---	200	---	949
	-----	-----	-----	-----	-----
Total District Wide	\$ 61,867	\$ 22,782	\$ 277	\$ ---	\$ 84,372
	-----	-----	-----	-----	-----
Epworth High School:					
Computer Technology	\$ 135	\$ 468	\$ 223	---	\$ 380
Poms	(2,974)	19,725	13,276	(48)	3,427
Dramatics Fund	3,970	11,606	10,522	---	5,054
Speech Club	(459)	1,210	1,063	312	---
Vocal Music	7,710	136,291	140,747	(1,897)	1,357
Instrumental Music	6,211	1,071	4,515	(1,357)	1,410
Show Choir	(4,082)	31,971	29,612	1,246	(477)
Show Choir/Aristocrats	(786)	---	---	786	---
Show Choir Invitational	(1,223)	---	---	1,223	---
Model U.N.	542	2,178	1,889	---	831
Student Council	7,071	7,760	8,392	(2,605)	3,834
Future Farmers	2,223	33,286	32,427	---	3,082
Cheerleaders	1,702	1,692	3,792	398	---
Yearbook	(1,692)	22,881	12,966	(339)	7,884
Library Club	1,888	192	429	---	1,651
Close Up	32	---	---	---	32
Post Prom	2,727	1,223	1,622	---	2,328
National Honor Society	95	3,442	3,610	205	132
Class of 2010	---	3,026	1,393	---	1,633
Class of 2009	1,248	522	66	(794)	910
Class of 2008	817	8,362	4,836	---	4,343
Class of 2007	3,951	2,259	2,919	---	3,291
Class of 2005	743	---	---	---	743
Class of 2004	(794)	---	---	794	---
Class of 2003	899	---	---	---	899
Class of 2001	207	---	100	(100)	7
Future Business Leaders	1,649	4,227	4,526	---	1,350
Athletic Fund	72,375	191,543	169,989	2,534	96,463
Pop and Uniforms	7,215	5,830	8,348	(312)	4,385
Fundraiser	655	6,525	1,275	---	5,905
Band	1,047	842	752	---	1,137
Miscellaneous	(790)	4,023	2,458	954	1,729
	-----	-----	-----	-----	-----
Total Epworth High School	\$ 113,790	\$ 502,375	\$ 461,747	\$ ---	\$ 154,418
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

SCHEDULE "3" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2007
Cascade High School:					
Poms	\$ 3,866	\$ 2,322	\$ 3,044	\$ ---	\$ 3,144
Dramatics/Speech	9,366	10,061	10,368	---	9,059
Vocal Music	1,746	3,326	3,181	(918)	973
Instrumental Music	3,102	15,212	15,977	4,591	6,928
Band	1,374	186	752	---	808
Student Council	2,258	4,469	6,132	1,095	1,690
Future Farmers	8,609	51,289	48,650	---	11,248
Cheerleaders	358	142	134	---	366
National Honor Society	497	1,247	2,130	875	489
Spanish Club	190	---	---	---	190
Junior High	2,353	10,118	9,056	(216)	3,199
Class of 2008	150	1,638	131	130	1,787
Class of 2007	108	1,899	1,660	100	447
Class of 2006	951	---	---	(951)	---
Class of 2005	278	---	---	(278)	---
Class of 2004	236	---	---	(236)	---
Athletic Fund	15,668	69,446	80,826	11,600	15,888
Pop and Uniforms	12,756	16,132	10,009	(13,549)	5,330
Vocal Music - Student	999	4,369	2,900	496	2,964
Instrumental - Student	3,910	259	---	(4,169)	---
Yearbook	958	7,624	4,956	490	4,116
Miscellaneous	2,137	2,784	3,552	940	2,309
Total Cascade High School	\$ 71,870	\$ 202,523	\$ 203,458	\$ ---	\$ 70,935
Bernard Elementary:					
Student Expenses	\$ 2,415	\$ 5,151	\$ 3,690	\$ ---	\$ 3,876
Cascade Elementary:					
Student Expenses	\$ 7,298	\$ 13,876	\$ 13,752	\$ ---	\$ 7,422
School Photos	3,732	1,144	4,065	---	811
Student Council	677	921	494	---	1,104
Total Cascade Elementary	\$ 11,707	\$ 15,941	\$ 18,311	\$ ---	\$ 9,337
Dyersville Elementary:					
Student Expenses	\$ 597	\$ 2,339	\$ 1,406	\$ (180)	\$ 1,350
Book Fair	(180)	1,023	1,023	180	---
School Photos	1,534	---	---	---	1,534
Total Dyersville Elementary	\$ 1,951	\$ 3,362	\$ 2,429	\$ ---	\$ 2,884

See accompanying independent auditor's report.

SCHEDULE "3" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Revenues	Expenditures	Intrafund Transfers	Balance June 30, 2007
	-----	-----	-----	-----	-----
Farley:					
Spring Fundraiser	\$ 13,443	\$ 49	\$ 1,354	\$ (4,245)	\$ 7,893
Student Council	(4,426)	335	90	4,307	126
Yearbook	1,458	4,364	4,668	---	1,154
Dramatics	(234)	200	329	363	---
Vocal Music	(2,294)	8,513	9,870	3,546	(105)
Instrumental Music	(444)	11,883	13,930	2,177	(314)
Athletic Fund	(1,831)	2,985	15,163	14,143	134
Booster Club/PTO	284	---	---	171	455
Outdoor Education	3,740	11,707	10,300	---	5,147
Pop and Uniforms	12,300	2,878	1,142	(10,584)	3,452
Fitness Program	4,162	1,441	1,589	(173)	3,841
Book Fair	1,374	11,728	11,512	---	1,590
School Photos	9,860	4,832	75	(3,265)	11,352
Magazine/Newspaper Fundraiser	4,741	33,266	23,127	(8,297)	6,583
Grade 8 Class Trip	(1,772)	12,415	17,380	6,737	---
Various Groups	11,696	21,354	19,548	(4,880)	8,622
	-----	-----	-----	-----	-----
Total Farley	\$ 52,057	\$ 127,950	\$ 130,077	\$ ---	\$ 49,930
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 17,258	\$ 4,782	\$ 9,939	\$ ---	\$ 12,101
	-----	-----	-----	-----	-----
Peosta Elementary:					
Yearbook	\$ (3)	\$ 969	\$ 900	\$ ---	\$ 66
Booster Club	657	389	2,089	1,043	---
Miscellaneous	557	4,135	2,133	(1,043)	1,516
	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 1,211	\$ 5,493	\$ 5,122	\$ ---	\$ 1,582
	-----	-----	-----	-----	-----
Total	\$ 334,126	\$ 890,359	\$ 835,050	\$ ---	\$ 389,435
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SIX YEARS**

	Modified Accrual Basis					
	2007	2006	2005	2004	2003	2002
Revenues						
Local Sources:						
Local tax	\$ 13,880,533	\$ 13,144,109	\$ 12,445,327	\$ 11,259,357	\$ 8,635,638	\$ 7,757,212
Tuition	830,306	717,011	651,757	631,073	576,731	598,362
Other	1,911,309	1,592,219	1,349,802	1,279,922	1,194,147	1,648,306
Intermediate Sources	1,306	6,459	---	4,108	80	---
State Sources	11,984,915	11,440,396	10,326,712	9,278,073	9,556,936	9,545,789
Federal Sources	850,311	1,416,939	1,464,404	950,399	1,552,042	776,270
Total	\$ 29,458,680	\$ 28,317,133	\$ 26,238,002	\$ 23,402,932	\$ 21,515,574	\$ 20,325,939

See accompanying independent auditor's report.

SCHEDULE "4" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST SIX YEARS**

	Modified Accrual Basis					
	2007	2006	2005	2004	2003	2002
Expenditures						
Instruction:						
Regular instruction	\$ 10,311,911	\$ 9,154,370	\$ 8,469,963	\$ 8,377,622	\$ 8,181,683	\$ 8,286,275
Special instruction	2,782,573	3,289,290	3,099,950	3,605,876	3,074,974	2,871,659
Other instruction	3,020,372	2,105,981	2,667,318	2,129,419	2,108,320	2,046,932
Support Services:						
Student	841,912	819,965	692,460	666,742	589,805	626,819
Instructional staff	393,706	866,136	553,355	534,905	467,647	392,662
Administration	2,590,845	2,528,027	2,138,672	1,627,196	1,772,832	1,750,488
Operation and maintenance of plant	1,707,388	1,568,012	1,471,773	1,299,654	1,175,562	1,136,769
Transportation	2,227,582	2,121,983	2,002,883	1,708,369	1,435,289	1,297,138
Central support		---	---	1,244	93,387	10,950
Non-instructional Programs	37,462	19,643	26,152	18,420	14,350	---
Other Expenditures:						
Facilities acquisition	965,701	649,303	6,953,304	5,427,398	5,825,035	750,806
Long-term debt:						
Principal	1,840,000	1,760,000	1,705,000	1,670,000	435,000	415,000
Interest and other charges	593,974	650,629	704,141	753,765	578,879	140,928
AEA flowthrough	1,042,947	974,359	903,083	872,561	920,041	918,733
Total	<u>\$ 28,356,373</u>	<u>\$ 26,507,698</u>	<u>\$ 31,388,054</u>	<u>\$ 28,693,171</u>	<u>\$ 26,672,804</u>	<u>\$ 20,645,159</u>

See accompanying independent auditor's report.

SCHEDULE "5"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Grant Number	Expenditures
-----	-----	-----	-----
Indirect Programs:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY07	\$ 71,643

School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	\$ 44,471
National School Lunch Program	10.555	FY07	316,731

			\$ 361,202

U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY07	\$ 359,223
Vocational Education - Basic Grants to States	84.048	FY07	37,500
Safe and Drug Free Schools and Communities			
- State Grants	84.186	FY07	12,431
State Grants for Innovative Programs	84.298	FY07	5,246
Improving Teacher Quality State Grants	84.367	FY07	154,690
State Assessment	84.369	FY07	19,467
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY07	212,557

			\$ 801,114

U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY07	\$ 30,663

Total			\$ 1,264,622
			=====

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Western Dubuque County Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Western Dubuque County Community School District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2007, which collectively comprises the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 8, 2008. We expressed an unqualified opinion on the financial statements of the primary government and an adverse opinion on the financial reporting entity due to the omission of the financial data for the District's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the District's primary government. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Dubuque County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Western Dubuque County Community School District's internal control over financial reporting.

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A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Dubuque County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Western Dubuque County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Western Dubuque County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 8, 2008

O'CONNOR, BROOKS & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of the
Western Dubuque County Community School District

Compliance

We have audited the compliance of Western Dubuque County Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Western Dubuque County Community School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Western Dubuque County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Western Dubuque County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Western Dubuque County Community School District and other parties to whom Western Dubuque County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
February 8, 2008

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Part I: Summary of Independent Auditor's Results

- a) Unqualified opinions were issued on the financial statements of the primary government. An adverse opinion was issued on the financial statements of the reporting entity.
- b) No material weaknesses were disclosed during the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) Major programs were as follows:

CFDA Number 84.010 - Title I Grants to Local Education Agencies

Clustered Programs:

CFDA Number 10.553 - School Breakfast Program
CFDA Number 10.555 - National School Lunch Program
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i) Western Dubuque County Community School District did not qualify as a low-risk auditee.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

No matters were reported.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget - Disbursements for the year ended June 30, 2007, exceeded the amended certified budget amounts in the instruction, non-instructional programs, and other expenditures functional areas.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure that the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the District and District officials or employees were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-07 Student Activity Fund - Several Student activity accounts had deficit balances at June 30, 2007.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.

IV-K-07 Retention of Electronic Records - Electronically retained check images (both front and back) were not being kept by the District in accordance with Chapter 554D.1114(s) of the Code of Iowa.

Recommendation - The District should contact their financial institution to inquire about availability of electronically retained check images.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.